

CHAPTER 1 – HANDLING AND PROTECTING CASH AND NEGOTIABLE INSTRUMENTS

1-1 Scope and Applicability: This handbook sets forth the general policies for handling and protecting cash and negotiable instruments for the Department.

1-2 Authority: The handbook is issued under the authority of the following regulations:

- a. 5 U.S.C. § 301
- b. 31 C.F.R. § 202
- c. 31 U.S.C. § 321, 1535, 3301, 3302, 3720, 6503
- d. Federal Claims Collection Act of 1966 as amended by the Debt Collection Act of 1982
- e. Federal Claims Collections Standards (4 C.F.R. § 101-115)
- f. Deficit Reduction Act of 1984 (PL 98-369 and 31 C.F.R. § 206)
- g. Cash Management Improvement Act of 1990
- h. Cash Management Improvement Act Amendments of 1992 (PL 102-589)
- i. Prompt Payment Act Amendments of 1988 (PL 100-496)

1-3 Policy. It is HUD policy to deposit collections as soon as possible in order to adequately control cash assets, account for collections, and reduce “processing float.” Staff is required to reduce “processing float” to the lowest possible level. Given the many new avenues for making payments to the federal government, the Department does not accept payments in cash. While the Department does not accept payments in cash, the term cash is noted in the policy to enable a complete discussion of remittances. In addition, it is the policy of HUD that:

- a. Collections should be deposited via [Pay.gov](https://www.pay.gov) to the greatest extent practicable. Pay.gov, a web application maintained by the Department of the Treasury (Treasury), is used to make secure electronic payments to Federal Government agencies. Payments can be made directly from a bank account or by credit/debit card. The HUD forms to be filled out online by the depositor are located at:

[Housing and Urban Development \(HUD\): Ginnie Mae](#)

[Housing and Urban Development \(HUD\): Office of Housing](#)

[Housing and Urban Development: Office of Housing Financial Operations Center](#)

[Housing and Urban Development: Office of Housing: Federal Housing Administration](#)

[HUD Office of Healthcare Program Fees](#)

[HUD Office of Hospital Facilities Fees](#)

[HUD Office of Multifamily Production Program Fees](#)

[HUD Fort Worth Section 201 Flexible Subsidy Payment Form](#)

[HUD Fort Worth Section 202 Elderly and Disabled Housing](#)

[HUD Generic Payment](#)

[HUD Title I Payment](#)

- b. All collections received over the counter are to be entered into and processed through:
 - 1. the [Over the Counter Channel Application \(OTCnet\)](#) - appropriate for offices with sufficient activity, such as FHA.
 - 2. a HUD-designated Treasury lockbox bank
 - 3. or, if pre-approved by HUD, a Fedwire transfer to Treasury.
 - 4. or, for field offices having limited activity, in coordination with the [CFO Accounting Center, Fort Worth, TX](#).
- c. The objective is to reduce transit time as much as possible and remove HUD collections from the general HUD incoming mail by having them sent to separate receiving points.
- d. The number of collection receiving and depositing points should be kept to the minimum necessary for efficient and effective operations at each HUD location. Each collection receiving and depositing point should establish appropriate physical safeguards by evaluating local conditions, volume of collections, and physical layout.
- e. HUD managers are responsible for the performance of their workforce in the processing and safeguarding of collections. For those offices that still must receive checks or money orders, employees shall be appointed as Collection Officers (COs), or Assistant Collection Officers (ACOs). Written delegations shall be given to all employees by management advising them of their appointment as a CO or ACO and advising them of their duties and responsibilities.
- f. The Department does not maintain imprest funds.

1-4 Requirements, Standards, and Internal Controls.

- a. Treasury Requirement. All depositing locations for HUD shall comply with the [Treasury Financial Manual, Volume I, Parts 2 and 5](#), which provides the basic requirements for depositing and reporting.
- b. Internal Control Requirements. The following are the internal control requirements applicable throughout HUD, including those component organizations subject to the [Government Corporations Control Act](#).
 - 1. Directing Remittances. HUD employees are prohibited from directing individuals to make payments (checks or money orders) payable to any source other than the Department, or to direct that remittances be sent to other than a designated receiving point.
 - 2. Prompt Deposit. For collections that cannot be handled through Pay.gov or OCTnet, those must be transmitted to the appropriate Treasury Lockbox within one workday of being received (see below *1-5 e. 3. Timeliness*, except for bid deposits, compromises, or other collections that are required to be held for review.

3. Internal Control

- Each Department component authorized to receive collections will incorporate into its plan of organization requirements for the separation of remittance processing duties and duties related to accounting for the remittances, plus the requirement that all cash handling duties shall be handled by separate employees.
 - Employees authorized to compromise or terminate debt shall not be given duties related to accounting for the debts.
 - Mail that may contain checks or money orders shall be opened in full view of other employees.
 - Employees involved in processing remittances shall not be given the duties of a Certifying Officer or a Claims Collection Officer.
- c. Security Requirements. All HUD collection handling locations shall include adequate provisions for security. Security provisions will depend on local conditions. Each office head will determine and be responsible for adequate security. The minimum physical security requirements are locking file cabinets (bar locks) for the storage of checks and locking access doors for work areas where checks may be included in unopened mail. In addition, the following administrative controls must be observed:
1. Supervisors must enforce a “clean desk” policy that at a minimum ensures that access cards, keys, or negotiable instruments are not left on unattended desks.
 2. Checks must be placed in the secure facility when not attended.
 3. Check processing work areas and secure facilities are to be separated from areas of access by the public.
 4. Access to secure facilities will be limited to the CO/ACO.

1-5 Remittance Processing Requirements.

Please note that checks have varying periods of time in which they can be cashed before they are automatically voided, so it is critical to submit the checks for processing in a timely manner.

Checks received must be processed within 24 hours of receipt using the following procedures:

- a. Recording Remittance. When a remittance is received, it shall be restrictively endorsed and recorded. This can be accomplished by photocopying the remittance, entering the receipt of the remittance in an automated system such as OTCnet, or

manually recording the receipt on form [HUD-235, Collection Register](#) (see Appendix I). Whatever method is used, it must contain the following information:

1. Date of remittance;
2. Name of remitter;
3. Name of person from whom received (if other than the remitter)
4. Bank on which drawn
5. Type of remittance (check, money order, certified check, or cashier's check);
6. Amount;
7. Date received;
8. Check number (if cashier's check or similar item)
9. Name or initial of individual receiving;
10. Fund symbol or other disposition;
11. CD number, schedule of collection or cash receipt number;
12. Serial number (if postal money order)
13. Checking account symbol and serial number (if drawn on Treasury)
14. Remarks.

Regardless of the processing used, the record of receipt shall be maintained in numerical sequence by fiscal year, and be made available for inspection by any federal official.

- b. Early Endorsement. Except for earnest money, each remittance shall be endorsed when accountability is established at the remittance's receiving point.
- c. Examining Checks for Negotiability and Acceptability. Collection Officers must examine each check to ascertain its negotiability and acceptability. Checks which fail to meet either the test of negotiability or acceptability shall be handled in accordance with instructions given. In determining negotiability and acceptability, the following criteria will be applied:
 1. Proper Dating. If the check or instrument is currently dated or undated and otherwise negotiable, it shall be accepted. As a general rule, post-dated instruments are non-negotiable.
 2. Agreement of Amounts Expressed in Words and Numbers. When the amounts expressed in words and numbers differ, it is usually possible to receive credit at the depository for the smaller amount. If the smaller amount is the correct amount, a note shall be attached to the check indicating the lesser amount is acceptable. If the greater amount is the correct amount, the check is unacceptable and should be returned to the remitter for correction. Under no circumstance is a check to be altered.
 3. Proper Signature and When Required. Instruments which are unsigned are nonnegotiable. Instruments which are known to be improperly signed are unacceptable.

4. Drawn to Proper Order.
 - If the instrument is drawn to the order of the Treasurer of the United States, or variation thereof, or to HUD, or a HUD organizational entity, it is acceptable as is, if otherwise negotiable. Remitters who draw instruments to an improper payee should be advised to make future instruments payable to the “U.S. Department of HUD.”
 - If the instrument is drawn to the order of entities other than those cited in the immediately preceding paragraph, e.g., to the order of firms, corporations, or partnerships, the instrument is acceptable if it is otherwise negotiable and the stated payee has properly endorsed it over to HUD.
5. Restrictive Inscriptions. An instrument is unacceptable if it contains a restrictive inscription such as “Acceptance constitutes full discharge of liability,” unless:
 - The instrument is received from a surety company and is drawn in the full amount of the surety bond, even though less than the indebtedness.
 - The instrument covers the entire amount of the indebtedness.
- d. Endorsement of Checks. All organizations receiving and/or depositing remittances shall use the form of endorsement as prescribed in *Part 5* of the *Treasury Financial Manual* (see current guidance in *Section 2035*, unless written approval for deviation has been obtained from Treasury).
- e. Using HUD Depositories. In those instances where a deposit must be made at a bank by staff, the requirements are listed below.
 1. General. Treasury is responsible for approving Government fund depositories used by the Federal agencies. HUD deposits funds in approved Treasury General Accounts (TGA). The OTCnet application also allows Agencies to make deposits with Treasury designated Financial Agents in the event of difficulties, such as, an inability to scan a check due to a damaged MICR line. Treasury policy governs where Field Office deposits may be made.
 2. Request for Change in HUD Depository. Because Treasury is responsible for determining the amount of compensation paid to a HUD depository, they must approve any request for a change in location.
 - Any request for a change in depository shall be submitted through the [CFO Accounting Center, Fort Worth, TX](#). The request should include the following information:

- For a current month, the total number of items deposited and total amount of: Treasury checks; money orders; checks drawn on local banks; and checks drawn on out-of-town banks.
 - The addresses of the current and proposed depository, and the distance between each bank and the office.
 - The current time of day deposits are made and the time of day deposits would be made at the new depository.
 - The current method and cost of depositing, e.g., pick-up service, HUD employees, and the proposed method and cost of depositing at the requested depository.
- The [CFO Accounting Center, Fort Worth, TX](#) is responsible for analyzing and forwarding the request for change in depository to Treasury. The [CFO Accounting Center, Fort Worth, TX](#) shall obtain any additional information requested by Treasury from the Field Office and will advise the Field Office of the final determination made by Treasury.
 - Treasury negotiates the contractual agreement with the proposed depository.
 - Minority Banking Program. In keeping with Federal objectives for developing and coordinating a National Program for minority business enterprises, Field Offices are encouraged to utilize minority financial institutions as depositories for HUD funds. Names and addresses of minority-owned financial institutions in the Field Office locality may be requested from the Office of Small and Disadvantaged Business Utilization.
 - Requests for approval of a minority-owned bank as a HUD depository are handled identically to the procedures outlined above.
3. Timeliness. Staff should limit hand-carried deposits to one per day. Deposits that are mailed can be deposited as they are received. To reduce processing float and improve availability of funds, agencies must adhere to the following deposit practices for hand-carried deposits:
- Deposit receipts totaling \$5,000 or more on the same day received prior to depository cutoff time.
 - Deposits received too late in the day to meet the deposit cutoff time must be deposited the following business day.
 - Collections totaling less than \$5,000 may be accumulated and deposited when the total reaches \$5,000. However, deposits will be made by Thursday of each week, regardless of the amount accumulated. See paragraph 1-4, c. 1, 2, 3, and 4 above for security requirements of collections not yet deposited.

- f. Record Deposits. The lockbox servicer prepares an SF-215 to record deposits. The [CFO Accounting Center, Fort Worth, TX](#) uses Treasury's Electronic Check Processing (ECP) System to download the SF-215 Deposit Ticket and SF-5515 Debit Voucher reports. In addition, copies of all processed checks, along with any related supporting documentation, are sent to the appropriate lockbox Points of Contacts. These deposits are reconciled to the SF-215.
- g. Advance Notice of Large Deposits. [Section 8530](#) - "General Large Dollar Notification Reporting Requirement for Deposits and Disbursements" of Volume I, Part 6 of the *Treasury Financial Manual* requires that Agency financial officers must report to FMS, in advance, all deposits totaling \$50 million or more in a single transaction or in multiple transactions of a common nature. Staff shall comply with this requirement by notifying Treasury's Cash Forecasting Division via one of the options shown below. Treasury will need the name of the agency, contact name and telephone number, agency location code, description of transaction, transaction settlement date, amount of deposit/disbursement, and payment mechanism.

CASH TRACK Web online at <http://www.cashtrack.fms.treas.gov/> (Internet Explorer is suggested)
Email: funds.control@fms.treas.gov
Fax: (202) 874-9984 or (202) 874-9945
Telephone: (202) 874-9789 or (202) 874-9790

1-6 Responsibilities of the CO/ACO.

- a. Responsibility of CO/ACO. The CO/ACO is responsible for the following:
 - 1. Receiving and recording all remittances received either in person or by mail as described in paragraph 1-5 a.
 - 2. Issuing Form [HUD-235.1, Receipt for Remittances Delivery](#) (see Appendix II), for all collections.
 - 3. Safeguarding and controlling all remittances until transferred.
 - 4. Transferring collections to the appropriate Collection Officer or deposit activity.
- b. Processing Remittances for Deposit. The following steps shall be taken by the CO/ACO when processing remittances for deposit.
 - 1. Examine Remittance for Negotiability and Acceptability. Each remittance shall be examined to determine its negotiability.
 - 2. Verify Remittance Amount with Remittance Advice Amount. The dollar amount of the remittance shall be compared to the total payment stated on the remittance

advice to make sure that they are in agreement. If the amounts don't agree, the remittance advice amount shall be altered to agree with the remittance amount.

3. Separate Remittances from Remittance Advices. After completing the above steps of the deposit process, the remittances shall be separated from remittance advices and any other related incoming correspondence.
 4. Endorse Remittances. Each remittance shall be properly endorsed prior to depositing.
- c. Basic Records That Must Be Maintained.
1. Record of all remittances received.
 2. [HUD-235.1, Receipt for Remittance Delivery](#) (see Appendix II). Record of all receipts.

1-7 Field Responsibilities.

- a. Mortgage Insurance Collections - Field Office Guidance. The material contained in [HUD Handbook 4110.1, Single Family Remittance Processing Procedures](#), stipulates in detail the procedures prescribed for handling and protecting mortgage insurance collections in the Field. Additional Handbooks which provide modified instructions for specific types of collections for the insurance funds and earnest money without restating procedures included in *Handbook 4110.1* are as follows:

[4310.5 Property Disposition - One to Four Family Properties](#)

[4350.1 Multifamily Asset Management and Project Servicing](#)

[4410.1 Project Fiscal Procedures.](#)

1-8 Standard Operating Procedures.

- a. Each accounting and regional office shall have Standard Operating Procedures (SOPs) in writing setting forth procedures that management is satisfied are adequate to ensure the quality and integrity of handling and protecting cash and negotiable instruments for the Department. These SOPs shall be utilized by the local managers for their respective regions. Significant changes in established standard operating procedures shall be properly authorized in writing by management. Standard operating procedures shall be established for, but not limited to, the following:
 1. Remittance Processing
 2. CO/ACO Responsibilities
 3. Field Responsibilities
 4. Control Over and Accountability for Securities
 5. Shipment of Securities

6. Appointing Securities Custodian Officer
7. Custodial Responsibilities
8. Monitoring

1-9 Monitoring. Offices responsible for processing remittances shall establish monitoring processes and a system of checks and balances sufficient to ensure compliance with safe handling and protecting of cash and negotiable instruments practices as prescribed in this handbook and the *Treasury Financial Manual*.